

CITY OF DENVER

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

JUNE 30, 2015

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City of Denver

Officials

Rod Diercks	Mayor	Dec 2017
Joel Wikner	Mayor Pro Tem	Dec 2017
Mary Scharnhorst	Council Member	Dec 2017
David Larson	Council Member	Dec 2017
Jeremie Peterson	Council Member	Dec 2015
Mark Richmann	Council Member	Dec 2015
Larry Farley	City Administrator/Clerk	
Dale Goeke	Attorney	

City of Denver

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
Jeremy P. Lockard, C.P.A.
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2015, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver as of June 30, 2015, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U. S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As disclosed in Note 4 to the financial statements, the City of Denver adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denver's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2014

(which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 19 through 22 and 26 through 32 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The City of Denver has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 27, 2015 on our consideration of the City of Denver's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Denver's internal control over financial reporting and compliance.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co. P.C.

October 27, 2015

Basic Financial Statements

City of Denver

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Oper. Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 427,722	217,053	30,226	-
Public works	346,284	120,206	185,994	-
Health and social services	5,850	-	-	-
Culture and recreation	259,224	18,350	42,962	-
Community and economic development	662,064	-	-	-
General government	101,217	18,104	-	-
Debt service	140,642	-	-	-
Total governmental activities	1,943,003	373,713	259,182	-
Business type activities:				
Sewer	5,272,164	526,688	-	-
Electric	1,412,381	1,169,643	-	-
Nonmajor business type funds	201,181	159,047	-	-
Misc Expense	-	-	-	-
Total business type activities	6,885,726	1,855,378	-	-
Total	\$ 8,828,729	2,229,091	259,182	-

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Sewer loan
 Loan origination fee
 TIF revenue bonds
 Unrestricted interest
 Rents
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Permanent fund
 Expendable:
 Streets
 Debt Service
 Other purposes
 Unrestricted

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(180,443)	-	(180,443)
(40,084)	-	(40,084)
(5,850)	-	(5,850)
(197,912)	-	(197,912)
(662,064)	-	(662,064)
(83,113)	-	(83,113)
(140,642)	-	(140,642)
(1,310,108)	-	(1,310,108)
-	(4,745,476)	(4,745,476)
-	(242,738)	(242,738)
-	(42,134)	(42,134)
-	-	-
-	(5,030,348)	(5,030,348)
(1,310,108)	(5,030,348)	(6,340,456)
363,897	-	363,897
53,952	-	53,952
53,257	-	53,257
178,076	-	178,076
-	5,196,368	5,196,368
-	(33,670)	(33,670)
860,000	-	860,000
6,265	13,352	19,617
3,732	-	3,732
19,271	40,318	59,589
50,861	(50,861)	-
1,589,311	5,165,507	6,754,818
279,203	135,159	414,362
717,934	1,883,827	2,601,761
\$ 997,137	2,018,986	3,016,123
64,475	-	64,475
274,377	-	274,377
1	-	1
33,564	-	33,564
624,720	2,018,986	2,643,706
\$ 997,137	2,018,986	3,016,123

City of Denver

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	General	Road Use Tax-#110	TIF #125	Nonmajor	Total
Receipts:					
Property tax	\$ 366,858	-	-	53,952	420,810
TIF collections	-	-	388,257	-	388,257
Other city tax	-	-	-	178,076	178,076
Licenses and permits	14,080	-	-	-	14,080
Use of money and property	8,802	-	-	7,118	15,920
Intergovernmental	146,766	185,089	-	-	331,855
Charges for service	236,666	-	-	-	236,666
Miscellaneous	40,075	10,138	-	6,000	56,213
Total receipts	813,247	195,227	388,257	245,146	1,641,877
Disbursements:					
Operating:					
Public safety	427,722	-	-	-	427,722
Public works	76,649	269,635	-	-	346,284
Health and social services	5,850	-	-	-	5,850
Culture and recreation	259,209	-	-	15	259,224
Community and economic development	14,585	-	647,479	-	662,064
General government	101,217	-	-	-	101,217
Debt service	-	-	-	140,642	140,642
Total disbursements	885,232	269,635	647,479	140,657	1,943,003
Excess (deficiency) of receipts over (under) disbursements	(71,985)	(74,408)	(259,222)	104,489	(301,126)
Other financing sources (uses):					
Sale of personal property	4,079	-	-	-	4,079
Book sales	389	-	-	-	389
TIF housing loan	525,000	-	-	-	525,000
Operating transfers in	63,732	149,664	257,730	80,352	551,478
Operating transfers out	(322,513)	(1,235)	-	(176,869)	(500,617)
Total other financing sources (uses)	270,687	148,429	257,730	(96,517)	580,329
Change in cash balances	198,702	74,021	(1,492)	7,972	279,203
Cash balances beginning of year	426,018	200,356	1,493	90,067	717,934
Cash balances end of year	\$ 624,720	274,377	1	98,039	997,137
Cash Basis Fund Balances					
Restricted For:					
Streets	\$ -	274,377	-	-	274,377
For Other Purposes	-	-	-	98,039	98,039
Debt Service	-	-	1	-	1
Unassigned	624,720	-	-	-	624,720
Total cash basis fund balances	\$ 624,720	274,377	1	98,039	997,137

See notes to financial statements

City of Denver

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 10)	\$	997,137
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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**Cash basis net position of governmental
activities (page 9)**

\$ 997,137
=====

Change in cash balances (page 10)

\$ 279,203

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

**Change in cash basis net position of governmental
activities (page 9)**

\$ 279,203
=====

See notes to financial statements

City of Denver

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Sewer	Electric	Nonmajor	Total
Operating receipts:				
Charges for service	\$ 526,688	1,169,643	159,047	1,855,378
Use of money and property	1,379	10,319	1,654	13,352
Miscellaneous	1,350	28,604	10,364	40,318
Total operating receipts	529,417	1,208,566	171,065	1,909,048
Operating disbursements:				
Business type activities	5,272,164	1,412,381	201,181	6,885,726
Total operating disbursements	5,272,164	1,412,381	201,181	6,885,726
Excess (deficiency) of operating receipts over (under) operating disbursements	(4,742,747)	(203,815)	(30,116)	(4,976,678)
Other (expense) & transfers:				
Sewer loan	5,196,368	-	-	5,196,368
Sewer loan origination fee	(33,670)	-	-	(33,670)
Operating transfers in	44,217	20,380	4,015	68,612
Operating transfers out	(9,086)	(63,732)	(46,655)	(119,473)
Net other (expense) & transfers	5,197,829	(43,352)	(42,640)	5,111,837
Change in cash balances	455,082	(247,167)	(72,756)	135,159
Cash balances beginning of year	469,529	1,284,036	130,262	1,883,827
Cash balances end of year	\$ 924,611	1,036,869	57,506	2,018,986
Cash Basis Fund Balances				
Unrestricted	\$ 924,611	1,036,869	57,506	2,018,986
Restricted for Debt service	-	-	-	-
Total cash basis fund balances	\$ 924,611	1,036,869	57,506	2,018,986

City of Denver

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Proprietary Funds

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 12)	\$ 2,018,986
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Cash basis net position of business type activities (page 9)	<u>\$ 2,018,986</u>
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Change in cash balances (page 12)	\$ 135,159
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The city does not have an internal service fund.
Therefore there are no reconciling items.

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Change in cash basis net position of business type activities (page 9)	<u>\$ 135,159</u>
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See notes to financial statements

City of Denver

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Denver is a political subdivision of the State of Iowa located in Bremer County. It was first incorporated in 1893 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Denver has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The City is represented on the Black Hawk County Consolidated Public Safety Communications Board, Black Hawk Conference Board, Black Hawk County Management Ageing, Black Hawk County Solid Waste Management Commission and Multi-Jurisdictional Hazard Mitigation Plan-Dunkerton and Gilbertville.

B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net assets. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund (#110) is used to account for road construction and maintenance.

The TIF Fund is used to account for the receipt and disbursement monies for Tax Incremental Financing.

The City reports the following major proprietary funds:

The Enterprise Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise Electric Fund accounts for the operation and maintenance of the City's electric system.

C. Measurement Focus and Basis of Accounting

The City of Denver maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted

cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable-Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted-Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state, or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned-Amounts the Council intends to use for specific purposes.

Unassigned-All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, the City did not exceed amounts budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity of the General Obligation Capital Loan Notes and Revenue Bonds are as follows:

Year	Capital Obligation	
Ending	and Revenue Bond	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 494,745	169,230
2017	517,058	156,847
2018	474,497	143,238
2019	460,327	131,693
2020	467,877	120,637
2021-2034	<u>4,378,429</u>	<u>741,628</u>
	\$ <u>6,792,934</u>	<u>1,463,272</u>

General Obligation Notes & Bonds:

The City issued a \$500,000 General Obligation Street Improvement Note, dated August 1, 2007, with an interest rate of 4.45%. The notes were issued for the purpose of financing improvements to the city's streets. Principal on the note is payable in ten equal annual installments of \$50,000 each, due on June 1 of each year. First payment was June 1, 2008 and the last payment is due June 1, 2017. Balance at June 30, 2015 was \$100,000.

The City issued a \$275,000 General Obligation Economic Development Note, dated February 1, 2008, with an interest rate of 4.35%. Interest on the note is due on June 1 of each year 2009 to 2020. Principal is due in ten equal installments of \$27,500 each on June 1 of each year 2011 to 2020. Balance at June 30, 2015 was \$137,500.

The City has a \$193,684 General Obligation Note, Series 2006 Fire Truck Pumper, dated April 19, 2010 with an interest rate of 4.0 %. Payments of \$23,610 are due each June 30, beginning June 1, 2011. Balance at June 30, 2015 was \$105,988.

The City has a \$300,000 General Obligation Storm Sewer Improvement Note, dated November 15, 2011 with an interest rate of 2.9%. Payments are due on June 1 of each year beginning June 1, 2012. Payments are \$30,000 principal plus interest for ten years, with last payment June 1, 2021. Balance at June 30, 2015 was \$180,000.

The City has a \$130,000 General Obligation Fire Equipment Note, dated June 1, 2012 with an interest rate of 3.0%. There are six equal payments of \$21,667.67 due on June 1 in each of the years 2014 to and including 2018. Balance at June 30, 2015 was \$64,999.

Revenue Bonds:

The City issued \$104,000 of urban renewal tax increment financing (TIF) revenue bonds in January 2013 for the purpose of planning, undertaking, and carrying out projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Revenue Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal increment financing revenue bonds shall be expended only for purposes which are consistent with the renewal tax increment plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining of the bonds is \$106,470, payable through June 2023. Balance at June 30, 2015 was \$83,200.

The City issued a \$335,000 urban renewal tax increment financing (TIF) revenue bond authorized by Section 403.9 of the Code of Iowa in September 2014 for the purpose planning, undertaking and carrying out an urban renewal project within the Denver Urban Renewal Area, consisting of making an economic development forgivable loan to Brothers Market in connection with the construction of a grocery store. The bond was delivered to the Denver Savings Bank and the City received the proceeds of the loan, \$335,000. The bonds are not a general obligation of the City and are payable solely and only from incremental property tax revenues generated within the Denver Urban Renewal Area. Interest rate is 4.125% payable annually on June 1, 2015 and again June 1, 2016 and thereafter payments of principal and interest in the amount of \$30,394.21 on each June 1st beginning June 1, 2017 and ending June 1, 2031. Balance at June 30, 2015 was \$335,000.

The City entered into a Loan and Disbursement Agreement for \$6,734,000 for Sewer Revenue Bonds with the Iowa Finance Authority August 29, 2014 for the purpose of the purpose of providing funds to pay a portion of the cost of constructing improvements and extensions to the Municipal Sanitary Sewer System. The City received \$5,261,247 on this loan and paid \$33,670 in loan origination fees from these proceeds. First payment on the loan shall be due and payable no later than one year after substantial completion of the project. Interest rate is 1.75% and in addition there is an annual fee of 0.25% of the outstanding balance. The loan is for twenty years and the first payment had been scheduled for June 1, 2015, but due to delays in construction that payment has been pushed back. The final amortization schedule for the loan has not yet been determined. This loan is not a general obligation of the City, but together with any additional obligations as may be hereafter issued and outstanding from time to time ranking on a parity therewith under the conditions set forth in the Resolution, are payable solely and only out of the future Net Revenues of the Utility of the City. Balance at June 30, 2015 was \$5,261,247.

The City issued a \$525,000 of urban renewal tax increment financing (TIF) revenue bond in June 2015 for repaying the General Fund for the 19 Housing Grants that have been completed. The bond has been delivered to the Denver Savings Bank and the City received the \$525,000. The bond is not payable from general funds and is not a general obligation of the City, but is payable solely and only from the income and proceeds of the Urban Renewal Tax Revenue Fund. The bond carries a 3.625% interest rate and mature June 1, 2025. Payments \$52,500 are due annually on each June 1 of each year for ten years and the

first payment is due June 1, 2016. The bond is subject to redemption prior to maturity in any amount on any day. Balance at June 30, 2015 was \$525,000.

(4) Pension and Retirement Benefits
Iowa Public Employees Retirement System-

Plan Description-IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees Retirement System (IPERS). IPERS issues a stand alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa, 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits-A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service)
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits- A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies during retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after

retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions-Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$59,285.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions.

- At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$244,588. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the proportion was 0.006044 percent, which was an increase of 0.000087 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City collective pension expense, collective deferred outflows and collective deferred inflows totaled \$18,307, \$13,452 and \$93,286 respectively.

Actuarial Assumptions-The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	Long-Term Expected
		<u>Real Rate of Return</u>
U.S. Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	<u>1</u>	(0.69)
Total	<u>100%</u>	

Discount Rate-The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate- The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease	Discount Rate	1% Increase
	6.5%	7.5%	8.5%
City's proportionate share of			
the net pension liability	\$ 462,142	\$ 244,588	\$ 60,950

Pension Plan Fiduciary Net Position-Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPER'S website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description-As of June 30, 2015 the City was paying 100% of the medical insurance for the City Administrator. Other City full time employees paid a portion of their medical insurance. The City pays either family or single coverage depending on the employees' status. The City is self-insured for dental benefits. Dental benefits follow similar coverage criteria, deductibles and co-insurance as Delta Dental.

Funding Policy-The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. Monthly premiums for the City and plan members as of June 1, 2015 were \$477 medical for single coverage and \$1,192 medical for family. The same monthly premiums apply to retirees. For the year ended June 30, 2015, the City contributed \$65,205 and plan members eligible for benefits contributed \$12,042 to the plan.

International City Management Association-The City contributes to the International City Management Association Retirement Corporation (ICMA-RC) on behalf of its City Administrator. ICMA-RC is a 457 deferred compensation plan. The City contributes at the IPERS rate. The City's contributions to ICMA-RC for the year ended June 30, 2015 was \$6,689.

(6) Compensated Absences

City of Denver employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of employment. It is payable when used and may be accumulated at various rates based on years of service. Maximum sick leave that may be accumulated is ninety days. Vacation is payable when used and accumulates based on an employee's anniversary date. These accumulations are not recognized as disbursements by the City until used or paid. At the end of employment, providing the employee has given two week notice and employee has completed ten years employment with the City of Denver, the City will pay for any unused vacation and for accumulated sick leave. The City's approximate liability for earned vacation termination payments payable to

employees at June 30, 2015 is \$25,213. The City's approximate liability for sick leave, reimbursed at 50% of the sick leave amount, at June 30, 2015 is \$48,966.01. This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Electric	\$ <u>63,732</u>
Special Revenue:	Business Type:	
Road Use Tax	Water	8,506
	Sewer	8,506
	Special Revenue:	
	Local Option Sales Tax	<u>132,652</u>
		<u>149,664</u>
TIF	General	<u>257,730</u>
Debt Service	General	47,878
	Special Revenue:	
	Business Type:	
	Storm Water	<u>32,474</u>
		<u>80,352</u>
Business Type:	Special Revenue:	
Sewer	Local Option Sales Tax	<u>44,217</u>
Water	General	<u>4,015</u>
Electric	General	12,890
	Road Use Tax	1,235
	Water	5,675
	Sewer	<u>580</u>
		<u>20,380</u>
Total Interfund Transfers		\$ <u>620,090</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had no business transactions between the City and City employees during the year ended June 30, 2015.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in past fiscal year.

(11) Lease Agreement

The City pays \$2,000 per month for an aeration system for the lagoon. The City does not have a lease agreement on this, but does have an original three month trial paper work from 2004.

(12) Litigation

There is no pending litigation pending involving the City of Denver.

(13) Subsequent Events

The City has evaluated subsequent events through October 27, 2015, the date of the financial statements.

Other Information

Budgeted Amounts		Final to Net Variance
Original	Final	
418,594	418,594	2,216
1,157,652	1,157,652	(1,104,395)
157,604	157,604	20,472
13,845	13,845	235
37,945	37,945	(8,674)
303,604	303,604	28,251
2,285,360	2,285,360	(193,316)
13,000	13,000	(13,000)
54,400	54,400	42,131
- 4,442,004	4,442,004	(1,226,080)
439,011	459,011	31,289
399,971	399,971	53,687
8,100	8,100	2,250
264,735	264,735	5,511
1,428,902	1,428,902	766,839
91,905	111,905	10,688
140,643	140,643	1
6,220,970	7,520,970	635,244
8,994,237	10,334,237	1,505,509
(4,552,233)	(5,892,233)	279,429
4,569,304	5,869,304	157,862
17,071	(22,929)	437,291
3,096,830	3,096,830	(495,069)
3,113,901	3,073,901	(57,778)

City of Denver

Notes to Other Information – Budgetary Reporting

June 30, 2015

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year, the budget was amended and increased budgeted receipts by \$1,300,000 and increased budgeted disbursements by \$1,340,000. The amended revenue was to reflect the State Revolving Loan to help finance the Construction of the Denver Water Pollution Control Facility. The increase in disbursements reflects a Fire Department equipment purchase, increase in insurance premium and costs involved with the Denver Water Pollution Control Facility.

City of Denver

Schedule of the City's Proportionate Share
of the Net Pension Liability
Iowa Public Employees' Retirement System
As of June 30
(In Thousands)

Other Information

2015

City's proportion of the net pension liability	0.00005033
City's proportionate share of the net pension liability	204
City's covered-employee payroll	514
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	39.69%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report

City of Denver
Schedule of City Contributions

Iowa Public Employee's Retirement System
Last Four Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	48	46	43	39
Contributions in relation to the statutorily required contribution	(48)	(46)	(43)	(39)
Contribution deficiency(excess)	-	-	-	-
City's covered-employee payroll	538	515	496	483
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%

NOTE: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report

City of Denver

Notes to Other Information – Pension Liability

June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

Supplementary Information

City of Denver

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Local Option Sales Tax #121	Debt Service #200	NonMajor Permanent Funds #500	Total
Receipts:				
Property tax	\$ -	53,952	-	53,952
Other city tax	178,076	-	-	178,076
Use of money and property	-	6,676	442	7,118
Miscellaneous	-	-	6,000	6,000
Total receipts	178,076	60,628	6,442	245,146
Disbursements:				
Operating:				
Culture and Recreation	-	-	15	15
Debt Service	-	140,642	-	140,642
Total disbursements	-	140,642	15	140,657
Excess (deficiency) of receipts over (under) disbursements	178,076	(80,014)	6,427	104,489
Other financing sources:				
Operating transfers in	-	80,352	-	80,352
Operating transfers out	(176,869)	-	-	(176,869)
Change in cash balances	1,207	338	6,427	7,972
Cash balances beginning of year	12,947	19,072	58,048	90,067
Cash balances end of year	\$ 14,154	19,410	64,475	98,039
Cash Basis Fund Balances				
Restricted for Other Purposes	\$ 14,154	19,410	64,475	98,039
Unrestricted	-	-	-	-
	\$ 14,154	19,410	64,475	98,039

See accompanying independent auditor's report

City of Denver

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2015

	#600 Water	#635 Electric Deposits	#740 Storm Water	Total
Operating Receipts:				
Charges for service	\$ 134,441	-	24,606	159,047
Use of money and property	1,612	42	-	1,654
Miscellaneous	920	9,444	-	10,364
Total operating receipts	136,973	9,486	24,606	171,065
Operating Disbursements:				
Business type activities	192,110	9,071	-	201,181
Total operating disbursements	192,110	9,071	-	201,181
Excess (deficiency) of receipts over (under) operating disbursements	(55,137)	415	24,606	(30,116)
Operating transfers in	4,015	-	-	4,015
Operating transfers out	(14,181)	-	(32,474)	(46,655)
Change in cash balances	(65,303)	415	(7,868)	(72,756)
Cash balances beginning of year	111,185	10,898	8,179	130,262
Cash balances end of year	\$ 45,882	11,313	311	57,506
Cash Basis Fund Balances				
Unrestricted	\$ 45,882	11,313	311	57,506
Restricted for Debt Service	-	-	-	-
Total cash basis fund balances	\$ 45,882	11,313	311	57,506

See accompanying independent auditor's report

CITY OF DENVER
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2015

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance 7/1/2014</u>
General Obligation Street Improvement Note	8/1/2007	4.45%	\$ 500,000	\$ 150,000
General Obligation Economic Development Note-TIF Tierney/Moeller	2/1/2008	4.35%	275,000	165,000
General Obligation Street Loan Note, Series 2006 Fire Truck Pumper	4/19/2010	2.90%	193,684	124,974
General Obligation Storm Sewer Improvement Note Hoover Street	11/15/2011	2.90%	300,000	210,000
General Obligation Fire Equipment Note	6/1/2012	3.00%	130,000	86,666
<u>Total General Obligation</u>				<u>\$ 736,640</u>
Urban Renewal Tax Increment Revenue Bond	1/21/2013	2.75%	104,000	93,600
Revenue Bond-Brothers Market	9/15/2014	4.125%	335,000	-
Revenue Bond-Housing Grant	6/15/2015	3.625%	525,000	-
Revenue Bond-Sewer	8/29/2014	1.75%	6,734,000	-

See accompanying independent auditor's report 35

<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance 6/30/2015</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
-	50,000	100,000	6,675	-
-	27,500	137,500	7,178	-
-	18,986	105,988	4,624	-
-	30,000	180,000	6,090	-
-	21,667	64,999	2,600	-
-	148,153	588,487	27,167	-

-	10,400	83,200	2,574	
335,000	-	335,000	9,826	
525,000	-	525,000	-	
5,196,368	-	5,196,368	38,663	

City of Denver

Bond and Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation Street Improv Note		General Obligation Econ Dev-TIF Tierney/Moeller		General Obligation Street Loan Series 2006 Fire Truck Pumper		General Obligation Strm Swr Improv Hoover Street		General Obligation Fire Equipment Note	
	Issued Aug 1, 2007		Issued Feb 1, 2008		Issued April 19, 2010		Issued Nov. 15, 2011		Issued June 1, 2012	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rate	Amount	Interest Rate	Amount
2016	4.45%	50,000	4.35%	27,500	2.90%	19,678	2.90%	30,000	3.00%	21,667
2017	4.45%	50,000	4.35%	27,500	2.90%	20,417	2.90%	30,000	3.00%	21,666
2018			4.35%	27,500	2.90%	21,172	2.90%	30,000	3.00%	21,666
2019			4.35%	27,500	2.90%	21,956	2.90%	30,000		
2020			4.35%	27,500	2.90%	22,765	2.90%	30,000		
2021							2.90%	30,000		
		<u>\$ 100,000</u>		<u>137,500</u>		<u>105,988</u>		<u>180,000</u>		<u>64,999</u>

	Urban Renewal Revenue Bond		Urban Renewal Revenue Bond Brothers Market		Urban Renewal Revenue Bond Housing Grant		Urban Renewal Revenue Bond Sewer Improvement	
	Issued Jan 2013		Issued Aug 2014		Issued June 2014		Issued Aug 2014	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2016	2.75%	10,400	4.125%	-	3.625%	52,500	1.75%	-
2017	2.75%	10,400	4.125%	16,575	3.625%	52,500	1.75%	283,000
2018	2.75%	10,400	4.125%	17,259	3.625%	52,500	1.75%	288,000
2019	2.75%	10,400	4.125%	17,971	3.625%	52,500	1.75%	294,000
2020	2.75%	10,400	4.125%	18,712	3.625%	52,500	1.75%	300,000
2021	2.75%	10,400	4.125%	19,484	3.625%	52,500	1.75%	306,000
2022	2.75%	10,400	4.125%	20,288	3.625%	52,500	1.75%	312,000
2023	2.75%	10,400	4.125%	21,125	3.625%	52,500	1.75%	318,000
2024			4.125%	21,996	3.625%	52,500	1.75%	325,000
2025			4.125%	22,905	3.625%	52,500	1.75%	331,000
2026			4.125%	23,849			1.75%	338,000
2027			4.125%	24,832			1.75%	345,000
2028			4.125%	25,857			1.75%	351,000
2029			4.125%	26,923			1.75%	359,000
2030			4.125%	28,034			1.75%	366,000
2031			4.125%	29,190			1.75%	373,000
2032							1.75%	307,368
		<u>\$ 83,200</u>		<u>335,000</u>		<u>525,000</u>		<u>5,196,368</u>

See accompanying independent auditor's report

City of Denver

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

For the Last Four Years Ended June 30

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 420,810	417,960	429,894	408,320
Tax increment financing	53,257	41,663	39,019	92,893
Other city tax	178,076	162,502	158,308	124,299
Licenses and permits	14,080	13,723	14,110	12,314
Use of money and property	15,920	7,677	17,574	27,448
Intergovernmental	331,855	200,377	194,555	284,315
Charges for service	236,666	328,957	325,275	209,481
Special assessments	-	-	-	-
Miscellaneous	56,213	51,195	24,416	256,637
Total	<u>\$ 1,306,877</u>	<u>1,224,054</u>	<u>1,203,151</u>	<u>1,415,707</u>
Disbursements:				
Operating:				
Public safety	\$ 427,722	341,088	355,816	560,374
Public works	346,284	425,909	369,765	376,027
Health and social services	5,850	6,160	2,421	-
Culture and recreation	259,224	186,977	182,067	180,476
Community and economic development	662,064	616,791	16,473	1,320
General government	101,217	94,196	104,500	86,386
Debt service	140,642	194,506	362,687	315,601
Capital projects	-	-	-	-
Business type	-	-	-	-
Total	<u>\$ 1,943,003</u>	<u>1,865,627</u>	<u>1,393,729</u>	<u>1,520,184</u>

See accompanying independent auditor's report

City of Denver



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Denver, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Denver's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Denver's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denver's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Denver's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as II-A-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-B-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denver's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the city's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Denver's Responses to Finding

The City of Denver's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Denver's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Denver during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 27, 2014

City of Denver

Schedule of Findings and Questioned Costs

June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Denver did not expend in excess of the OMB A-133 single Audit dollar threshold of \$500,000 for the year ended June 30, 2015.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-15 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. City of Denver is a small city with an office staff consisting of the City Administrator and one assistant clerk. All employees can have custody of cash before depositing. In addition the assistant clerk also records cash received, prepares deposit tickets, compares deposits to records and prepares journal entries.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City will review its controls procedures in an attempt to maximize internal control where possible under the circumstances.

Conclusion – Response accepted.

- II-B-15 Significant Deficiency – The City of Denver, Iowa prepares financial statements, but does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Management Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

INSTANCES OF NON-COMPLIANCE

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

There were no findings and questioned costs for federal awards.

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 did not exceed the amount budgeted in any functions.
- IV-B-15 Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- IV-D-15 Business Transactions – No business transactions between the City and City officials or employees were noted.
- IV-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-15 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-15 Payment of General Obligation Bonds-Certain payments on General Obligation Debt were paid from the TIF Fund. Chapter 384.4 of the Code of Iowa states, in part "Monies pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the Debt Service Fund."
- Recommendation-The City should transfer the monies receipted into the TIF Fund to the Debt Service Fund in the future for payments on the General Obligation debt.
- Response-In the future the City will transfer monies from the TIF account to the Debt Service Fund to make payments on the General Obligation debt.
- Conclusion-Response accepted.
- IV-I-15 Revenue Bonds and Notes- The City did not record an origination fee from Iowa Finance Authority for the Sewer Revenue bond because it was withheld from proceeds forwarded to The City. By omitting the \$33,670 fee, revenues and expenses were both understated by that amount.
- Recommendation – The City should implement procedures to ensure all loan proceeds are properly recorded in the City's financial statements.
- Response – We will double check this in the future to avoid posting errors.
- Conclusion- Response Accepted
- IV-J- 15 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.
- No instances of non-compliance with the City's TIF funds noted.
- IV-K-15 Urban Renewal Annual Report – The urban renewal annual report was approved and was certified to the Iowa Department of Management on or before December 1. No other instances of non-compliances with the Urban Renewal Annual Report was noted.

IV-L-15 Unclaimed Property-The City has several outstanding checks that are being carried on the bank reconciliation of the city's checking accounts. No action has been taken on these items.

Recommendation-City should investigate whether or not these outstanding checks should be reported as unclaimed property under Iowa Code 556.1 (12). We recommend that the City review all checks to see if they have been voided and just not removed from the system or are unclaimed property that should be reported to the State Treasurer on an annual basis per Chapter 556.11 of the Code of Iowa. City might consult with council to determine if other options might be appropriate for proper disposal of these items.

Response-The City acknowledges the recommendation and will investigate whether or not they need to file a report, and if necessary consult council.

Conclusion-Response accepted.

City of Denver

Staff

This audit was performed by:

Donald A. Snitker, CPA, Audit Partner

Paul Yokas, Staff

Ben Becker, Staff